



ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS

July 1991

Dr. Donald Ratajczak, Director
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RECOVERY IS NOT YET SUSTAINED

Declining manufacturing orders, weak construction gains, auto sales that are going nowhere after a May spurt, and employment that shows no trend all suggest that this recovery has not yet found an engine to pull it along. Rising taxes and falling expenditures at budget strapped state and local governments and no substantial initiatives from the Federal government mean that government budgetary policy is not supporting this recovery. However, the Federal Reserve's mistaken belief that a self-sustaining recovery already has begun has led to preservation of interest rate targets despite weakness in money demand. The result has been a drop in real money balances that further threatens support for expansion. In short, this recovery is in jeopardy.

It now is clear that changing seasonal weather patterns rather than a confident consumer accounted for much of the spring spending surge. (The remainder of that surge merely reflected a reversal of the "CNN effect", when everyone was watching television in January instead of spending.) Moreover, the consumer does not have the spending power to support this expansion.

Normally, consumers have already built a savings pool before the recovery begins. Therefore, as soon as jobs become available, the renewed consumer confidence leads to amplified spending that propels the economy upward. With the savings rate at 3.5%, that pool of savings simply is not available. Of course, if job growth was strong enough, such reduced savings would not be a hindrance to recovery. Yet, only the reduction of inventory liquidation is accounting for any job gains at this time. This explains why the initial claims and industrial production are responding in a normal recovery fashion while the remainder of the economy remains in the doldrums.

For example, the July **EMPLOYMENT SITUATION** showed a decrease of 51,000 jobs despite a gain of 27,000 production worker jobs in manufacturing. (Cost cutting removed 14,000 non-production jobs in manufacturing during the month.) Most of the weakness was in other services, which include consultants, lawyers, and a host of other service related activities. To further compound the weakness, hours worked contracted along with hourly earnings. Indeed, **real earnings** probably plunged by 1.5%. An economic recovery is not made upon this base of earnings.

If interest rates were lower, the inventory liquidation would be less intense, leading to more near term job growth. Of course, inventory adjustments only last a few months, but reduced interest rates might stimulate housing more and lead to stability in the nonresidential construction sector. As a result, construction jobs would not continue to fall, as they currently are. While lower interest rates would weaken the dollar, the near-term inflationary fallout from a dollar decline is not significant. On the other hand, the improved competitiveness of American goods abroad would further increase manufacturing shipments. Thus, a more aggressive Federal Reserve policy might lead to enough job growth to ensure that this recovery persists despite the anemic purchasing power held by households.

Certainly, the manufacturing sector cannot continue to expand if orders continue to lag shipments. Not only have aircraft orders fallen behind shipments, but orders other than transportation equipment has been trailing shipments by nearly \$2 billion per month in recent months. In the absence of any surge in orders, manufacturing gains soon will end.

To be sure, tight Federal Reserve policy at the present time will restrain inflationary pressures. The best time to preserve reduced inflation is in the early phases of recovery. However, inflation normally is generated by economic stress (an economy growing rapidly or reaching bottlenecks) not by growth itself. As the workweek lengthens while unemployment remains high, wage inflation normally recedes in the early months of an economic expansion. Although aided by the collapse of oil prices, the lowest wage inflation during the previous expansion occurred in 1986 when hourly earnings were only 1.8% above previous year levels. Hourly earnings rose to a high of 4.2% above previous year levels in 1990 but has contracted to a gain of 3.5% in the latest month.

The employment cost index has continued to moderate from previous year levels and currently is 4.6% above previous year levels. While this index no longer is moderating, neither is it intensifying. In fact, hourly earnings continue to ease but rising benefit costs are offsetting these gains. Certainly, high unemployment rates could further reduce wage inflation, but the social costs of such a policy should restrain anyone from pursuing it.

No commodity inflation is in sight. Petroleum prices are where they were a year ago, when Iraq invaded Kuwait. Sluggish growth worldwide and the prospects of increased production from the Middle East suggest that oil prices will remain subdued for the next few years. Some weather problems exist in the midwest, but the net effect of hot, dry weather appears to be average rather than record yields for corn and soybeans. Some suffocation of poultry has developed and hog weights have been impacted by the weather, but these conditions are not serious for agricultural production at this time. Indeed, the number of cattle at feedlots and the number of farrowing pigs are higher than in past years.

Furthermore, prices have been easing at the earliest stages of processing. Lumber prices have surged because of the spotted owl controversy, but few other industrial prices are showing any strength. Crude material prices other than food and energy are 8% below previous year levels. The Journal of Commerce index of sensitive prices reversed a modest advance about a month ago and have been declining ever

since. Before the hot weather reversed grain prices, the CRB index had been recording new lows. Also, two of the three price related variables in the leading indicators have been falling for several months (sensitive prices and real money stock. The third, delivery delays, has been increasing as inventory liquidations persist.) In short, an outbreak of inflation is unlikely anytime soon.

Indeed, until the weakness of economic activity was highlighted by employment conditions in July, the dollar was strong against most major currencies. Although currency impacts upon inflation are delayed for more than a year and only occur if the currency movement persists, the dollar's strength prevents any inflation from being imported.

Frankly, the policy prescription is easy. The recovery is stumbling and is far from assured. On the other hand, inflation is continuing to recede. At the sensitive level, deflation has returned. More stimulus to insure that the recovery does not stumble into a double-dip is the only responsible course.

Monthly Statistical Highlights

	<u>JULY 1991</u>	<u>AUGUST 1991</u>	<u>SEPT 1991</u>
Payroll Employment		68,000	86,000
Index of Hours Worked		0.5%	0.2%
Household Employment		31,000	78,000
Civilian Unemployment Rate		6.9%	6.9%
Personal Income	-0.2%	0.5%	0.3%
Savings Rate	3.3%	3.5%	3.4%
Personal Consumption	0.1%	0.4%	0.4%
Retail Sales	-0.2%	0.3%	0.3%
Auto Sales	8.8*	9.0*	9.2*
Housing Starts	1.4%	1.1%	0.7%
Housing Permits	-2.6%	0.6%	1.2%
Construction Expenditures	0.1%	0.5%	0.7%
Business Inventories	-0.0%	0.1%	0.3%
Orders for Durable Goods	0.9%	0.5%	1.6%
Orders - Nondefense Capital Goods	0.9%	1.0%	0.7%
Industrial Production	0.4%	0.4%	0.2%
CPI	0.2%	0.2%	0.3%
PPI	-0.2%	0.1%	0.2%
Consumption Deflator	0.3%	0.2%	0.3%
Leading Indicators	0.1%	0.0%	0.2%
Currency Index	-1.0%	-3.0%	-0.2%
Equity Index	0.1%	1.3%	-0.4%
Real GNP (annual rate)	1.5%	4.4%	6.2%
M1 (annual rate)	2.8%	8.1%	9.2%
M2 (annual rate)	-2.4%	3.9%	5.3%

* auto sales in millions

COMMENTARY

EMPLOYMENT-After losing 21,000 jobs in June, payroll employment fell another 51,000 in July. In June, however, the workweek soared while hourly earnings also rose. As a result, the index of hours worked increased a strong 0.7% and wage earnings increased 1.1%. This improved the ability to spend, leading to a 0.4% gain in real spending. Moreover, manufacturing employment improved. Manufacturing employment also grew in July, with production workers gaining 27,000 jobs (offset by a 14,000 decrease in support workers). Also, more industries recorded employment gains than declines. Also, unemployment fell, but this was because a decrease in service jobs discouraged women and teenagers from searching for work. All the other news in the report was unequivocally bad. The workweek fell, hours worked in the private economy sagged, leading to a sharp 1.4% decline in hours worked and hourly earnings fell slightly. While this latter statistic reduces the fear of wage induced inflation, the reduction in earning power will cause a decline in savings in July from already low levels even as real consumption levels fall. These are conditions that lead to recession not to recovery.

One positive way of reviewing this employment pattern is to argue that the adverse multiplier effect from previous declines in goods production are being reflected in the reduction in service jobs. As manufacturing jobs continue to expand, a new positive multiplier should surface soon. However, this expansion in manufacturing jobs also is questionable. In past years, plant closings in autos, textiles and apparel for model changeover or vacation purposes naturally reduced employment in those industries. Seasonal factors may still be anticipating such closures. However, the auto industry has diminished its fall model year introductions while weather conditions no longer impact textile and apparel production (the plants are climate controlled). Therefore, most of the manufacturing gains could be illusory and will vanish after August.

At this time, we are assuming the manufacturing gains reflect inventory rebuilding (textile inventories fell sharply in the past two months) and export orders. Therefore, they should be sustained for several more months. If so, payroll gains should reappear in the next few months. However, such **PROJECTIONS** create an anomaly for an economic expansion. Hours worked are projected to grow more slowly than employment. In the early phases of an expansion, the reverse is true. Indeed, the index of hours worked is expected to grow more slowly in the summer than during the spring. To sustain a reasonable gain in output, this requires a spurt in productivity. Such gains do occur early in upturns and especially when manufacturing headquarters staff is being reduced even as production is rising, as at this time. Therefore, the projections certainly are possible, but our confidence in them is diminishing as these anomalies persist.

Also anomalous is the shrinkage implied in the labor force as employment rises. Either household employment will increase more than currently projected, or unemployment will be higher than currently indicated. Data revisions next month may unravel some of these anomalies. Certainly, the decline in jobs in other services is suspect and may be revised away. Retail employment actually rose while other employment weaknesses were minor except in government and construction.

PERSONAL INCOME AND OUTLAYS-Wage earnings were not quite as strong as implied by the June employment condition, but they were robust in the June report. This offset further declines in farm income and property income, but personal income definitely slower relative to wage earnings. In July, wage earnings should fall sharply, but not as sharply as implied by the employment condition. This will lead to a decline in personal income and a sharp drop in savings even with little change in outlays.

Hot weather will continue to create unusual utility demands in the service component. Some slowing in service expenditures is likely in August if weather patterns become more normal. Clearly, the surge in consumer durable purchases is over. Auto sales again are struggling following a spring bounce. Furniture and hardware purchases peaked in May and fell sharply in June. Little growth from June levels is anticipated until the fall. The early purchases of summer fashions in May caused a sag in June sales of nondurable goods. While no further sag is likely, lower gasoline prices should continue to restrain nondurable sales into the fall. Therefore, retail sales are expected to grow slower than even slowing inflation during the summer before rebounding in the fall. The gains in service activity will permit further expansions in consumer spending, but the gains will fall far short of the 3.6% surge during the spring.

CONSTRUCTION-One of the more disappointing aspects of this recovery is the absence of construction support. Housing sales rose a strong 7.5% in June, but all the gains were in previously weak northeast and western markets. Thus, the improvement may not persist. Furthermore, even with current sales, inventories remain near 7 months for new single family homes. No construction surge is likely with that overhang. Moreover, the growth of permits has been deceiving. Although permits seem to signal a healthy expansion ahead, most of the permit gains have been for multi-family activity. However, financing restraints continue to prevent those permits from being utilized. Single family permits are hardly growing in recent months, suggesting that some slowing soon will develop there. Apartment construction did rebound in June, but from the lowest recorded level of apartment activity. Stronger housing activity is needed to offset other construction expenditures, which are continuing to sag.

Residential construction certainly has turned and will be a significant positive contributor to economic activity during the summer quarter. However, total construction after inflation still remains weak. Budgetary constraints are preventing any meaningful advance in public construction. The gains in June were concentrated in miscellaneous projects rather than in sewage, highways, hospitals and schools. The only growth sector is in penitentiaries. Although public construction should grow more than last year, the gains will be spotty.

Conditions for nonresidential construction are far worse. No turn has been made. Activity continues to fall sharply for hotels, industrial, commercial and retail activity. Financing, excess capacity and the uncertainties generated by the large holdings of property by the RTC are combining to prevent any meaningful slowing in the nonresidential slump. Even if activity stabilizes in the summer, the quarterly decline will be the largest in this downturn. Thus, the stability projected later in the year is not assured. While housing is playing its traditional role of leading the economy out of recession, none of the other construction sectors is following at this time, and the leader appears to be tiring.

BUSINESS ACTIVITY-The shrinking backlog of durable goods orders is the most worrisome component of the business sector. Although aircraft accounts for most of the weakness, and their reduced orders will not impact activity for another two to three years, nondefense capital goods orders other than transportation has been trailing shipments by more than a billion dollars in recent months. Because shipments and employment remain strong, we have concluded that inquiries must be strong. Some anecdotal evidence also supports that assumption. Therefore, some improvement in orders is anticipated in the next few quarters. Certainly the fall introduction of new computers will cause orders growth in that sector. Despite all these conditions, the \$3.5 billion shrinkage in backlog last month cannot be overlooked. At a minimum, the spring growth in shipments cannot be sustained until those orders improve.

Fortunately, the end to inventory liquidations should continue to sustain some growth in manufacturing activity for the next few months. In manufacturing, inventories are falling for finished goods and raw materials but are growing for goods in process. This suggests that further gains in shipments are likely in the next few months. Also, declines in finished goods inventories in manufacturing and retail inventories during May (the last month available) suggests that some unintended inventory liquidation has occurred. This need to rebuild inventories will sustain activity through the summer and into the fall. After that, improving employment and earnings will be needed to further sustain the gains.

Because of the reduced liquidations of inventories, which enters positively into economic activity, industrial production has been reasonably robust. Perhaps this Federal Reserve statistic is preventing the Federal Reserve from determining the degree of jeopardy faced by the current economic expansion. Offsetting the weakening consumer sector will be strengthening industrial activity through the summer and into the fall.

PRICES-Heavy inventory liquidations are preventing the normal price slashing that occurs at the end of recessions. Even so, prices of industrial materials and consumer services are declining or growing more slowly. Indeed, service inflation has slowed by nearly a percentage point and should sustain that reduced activity for the next year. The weakness in prices of nondurables was largely related to falling petroleum prices early this year, which is no longer a factor. Even so, consumer inflation should be a percentage point less in the next twelve months than it was during the past twelve. Commodity prices as reflected by the PPI for finished goods and the industrial commodities prices are continuing to fall. Some firming is expected late this year, but not much.

Because of continuing moderation of prices other than from petroleum, the **GNP deflator** should grow about a half point more slowly during the next four quarters than in the past four quarters. The only troublesome sign of inflation is in construction, and that was created by reduced supplies out west following a ruling of the spotted owl habitat. That spurt in construction prices will not be sustained.

MISCELLANEOUS-Despite five consecutive gains in the **leading indicators**, that measure has not yet regained new high ground. With declines in the real money stock, workweek, and sensitive prices already apparent along with a further reduction in backlog and some weakness in consumer confidence, that five month string could be broken in July. However, rising stock prices, a possible rebound in orders, further delivery delays, possible further improvement in initial claims could offset the weakness. Indeed, whether the indicators rise or fall in July may depend upon building permits and the strength of an anticipated orders rebound. Even so, a relapse has not occurred following five consecutive months of indicator gains. (Is there always a first time?)

While inventories have been liquidating, our trade balances have continued to improve. Last month, however, the unusually low level of oil imports was reversed. Further increases in oil prices assure further gains there for the June statistics. Exports are growing slowly as the world economy falls and as the dollar surged. Now that most pledges for the Persian Gulf war have been paid, the dollar shortage no longer is evident. Therefore, the dollar should fall, and could fall harder than currently projected. Eventually, this will further improve our trade balances if the world does not slip into recession.

Because prices have been falling for petroleum products and other industrial material prices, inventory values have been falling. Also, depreciation adjustments were appropriate during the second quarter following several quarters when they understated economic replacement costs. As a result, taxable corporate income fell, lowering tax liabilities, while adjusted corporate income rose. The result has been surprisingly strong gains in adjusted profits despite economic weakness. Further cost cutting insures further profits gains, although inventory values should begin rising.

In order to grow 2.5% for the summer, the economy will need to experience several months of sharp gains. An inventory rebound could create these gains, but the July employment report is not encouraging. Therefore, downward adjustments in GNP estimates are likely. Even if the modest summer and fall gains materialize, low savings rates should mean that the recovery will remain anemic well into 1992, when renewed export activity may re-invigorate the economy.

FINANCIAL MARKETS

Rising long-term interest rates during the second quarter are difficult to explain. Perhaps short-term rates fell more than could be justified by prevailing economic conditions. (Investors perceive that growth at such interest rates will generate inflationary fears leading to rising long-term rates.) In any event, the yield curve has been historically steep.

The government sector did increase its borrowings modestly as the flow of pledge money slowed. However, many state and local governments began to reduce their large deficits through tax increases and expenditures reductions. Government borrowings probably intensified slightly, adding to interest rate pressures during the spring and will intensify further in the summer as pledge monies slow to a trickle. Government borrowings should begin to ease in the fall, however, where the quarterly funding may fall below the record \$38 billion during the summer. Further moderation in government borrowing pressure is expected early next year as well.

Corporate borrowings remained subdued as inventory liquidations remained intensive. Cash flow improved as profits fell less than tax liabilities and depreciation equaled replacement costs after falling below such costs in the winter. On the spending side, capital appropriations increased slightly, but the net effect of the corporate sector was to reduce borrowings in the spring. During the summer increased cash flow should offset reduced inventory liquidations leading to little change in corporate borrowing needs. By the fall, if the economy does not relapse, corporate borrowings should begin growing faster than cash flow, leading to some borrowing pressures there.

The household sector also was strapped for funds as housing investment increased modestly while savings declined. Further reductions in household savings are developing in the summer. Some improvement is almost certain in the fall and early next year, however. These savings gains should more than offset any increased housing investment, leading to additional net contributions from the household sector.

International flows were favorable to the U.S. in the spring as the dollar improved in value, equity values also were improving in the United States, and prospects for strengthening activity ahead were substantial. The dollar shortage is over; the recovery is in jeopardy, and short-term interest rates are continuing to fall. This should reverse the capital flows into the U.S. during the fall and winter. More neutral conditions probably prevail for the summer.

When all the forces are combined, interest rates probably should have fallen during the spring, when foreign flows and corporate reduced borrowing more than offset reduced household supplies of funds and the increased needs of government. In the summer, further corporate reduced borrowings and near stability in the household sector should offset a shift in foreign sentiment and additional government borrowing. By the fall, government will reduce its borrowing even as corporations will be increasing theirs. The household sector should be improving but foreign flows should be deteriorating. This means six months of relatively trendless interest rates, although declining rates are more likely in the summer. Rates then could begin rising early next year if the recovery remains in force.

Currently, further moderation in Federal Reserve targets are expected, leading to modest further reductions in short term interest rates. Long-term investors also should be encouraged by little inflationary fear and an unusually steep yield curve. Thus, all rates should fall during the next few months. Whether rates fall further early in 1992 depends upon the strength of the recovery. If the recovery fades, as our **PROJECTIONS** suggest, then further modest declines in rates are likely. Any sustained increases in rates are not likely until the latter half of 1992, if then.

In the past twelve months, **M2** growth has been comparable to growth in nominal GNP. During the next twelve months, we are projecting that current interest rate targets and sluggish activity will not permit a substantial increase in **M2** growth. However, more substantial gains in nominal GNP are projected. More likely, the Federal Reserve will lower interest rate targets more aggressively, allowing a faster surge in the monetary base and further expansion of **M2**. However, in the latest month, most monetary aggregates have actually declined.

EQUITY MARKETS-The quality of profits have improved even as their level has deteriorated. As a result, any recovery will lead to a substantial surge in profits, especially for commodity producing industries. Thus, cyclical stocks are due for substantial gains in value if only the recovery was assured. Such a recovery is not assured, however, and investors have again moved toward defensive positions of consumer staples and drugs. Our formulas suggest that stock prices are not overvalued and that new highs are likely in August. However, gains from current levels of 388 on Standard and Poor's and 3035 on the Dow will be modest. The market probably will remain in its 2900-3050 channel until after the November refunding. A break to higher territory then is expected, although the increases will be between 5% and 10%.

Liquidation of equity positions is not recommended, but substantial additions also are not encouraged. Some movement from the recessionary values to more cyclical issues should be sought. If the dollar falls in value, as expected, some of the multi-nationals may do well. Once new products are introduced this fall, the technology issues once again are expected to rebound.

We favor equity positions at this time, but should expect only a 10% rate of return over the next six to nine months. Moreover, the sluggish stock market performance that developed in March is expected to continue until after the November government quarterly refunding. In addition, the uncertainty of recovery has increased. This means that our estimates are less reliable than under normal conditions and should be adjusted downward by prudent investors.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%	
January 1991	109418		121.3		116922		6.1	10.18		
February	109160	-2.4	121.5	-5.4	116918	-2.4	6.4	10.20	2.5	
March	108902		120.9		116754		6.8	10.24		
April	108736		120.0		117398		6.6	10.28		
May	108887	-1.2	121.2	-0.4	116591	0.3	6.9	10.32	4.7	
June	108866		122.1		116884		7.0	10.37		
July	108815		120.4		116712		6.8	10.36		
August	108883 *	0.2	121.0 *	-0.8	116743 *	-0.7	6.9 *	10.40 *	3.0	
September	108967		121.2		116821		6.9	10.44		
October	109021		121.4		116897		6.9	10.47		
November	109063	0.7	121.5	2.1	116936	0.7	7.0	10.50	3.9	
December	109127		121.6		117023		7.0	10.53		
January 1992	109191		121.8		117106		7.0	10.57		
February	109224	0.5	122.0	1.4	117189	0.6	6.9	10.60	3.9	
March	109229		122.0		117055		7.1	10.63		
April	109316		122.2		117128		7.1	10.67		
May	109391	0.7	122.3	1.3	117226	0.3	7.0	10.70	4.0	
June	109472		122.5		117284		7.0	10.74		
Chng Jun(92)/Jun(91)		0.6		0.3		0.3	0.3 #		3.6	
Chng Jun(91)/Jun(90)		-1.4		-1.8		-1.1	0.7 #		3.5	

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	4.724		2.741		191.3		4.009		3.818	
February	4.733	1.6	2.742	0.3	169.8	-7.8	4.019	1.7	3.850	2.1
March	4.750		2.746		145.1		4.036		3.890	
April	4.755		2.750		165.3		4.037		3.872	
May	4.780	3.7	2.767	4.2	143.4	-36.4	4.060	3.7	3.916	5.8
June	4.803		2.798		143.4		4.078		3.935	
July	4.799 *		2.782 *		133.6 *		4.071 *		3.938 *	
August	4.825	3.6	2.797	3.8	142.6	-29.3	4.094	3.2	3.951	4.7
September	4.841		2.813		138.5		4.106		3.968	
October	4.866		2.828		139.3		4.128		3.988	
November	4.889	5.7	2.840	6.2	139.4	2.7	4.147	5.6	4.007	5.7
December	4.912		2.852		138.6		4.166		4.027	
January 1992	4.940		2.869		143.7		4.192		4.048	
February	4.965	6.2	2.884	6.0	148.4	18.5	4.215	6.4	4.066	6.0
March	4.984		2.893		143.4		4.229		4.086	
April	5.010		2.910		149.6		4.252		4.102	
May	5.032	5.9	2.922	6.0	147.4	13.7	4.270	5.8	4.122	5.6
June	5.061		2.940		152.6		4.295		4.142	
Chng Jun(92)/Jun(91)		5.4		5.1		6.4		5.3		5.3
Chng Jun(91)/Jun(90)		3.5		3.1		-21.0		3.4		4.6

PROJ includes current information until the * and then projections by month thereafter
 AR% is the annualized percentage change from the previous quarter.
 # is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	3707.8		440.3		1205.8		2061.7		2643.1	
February	3739.9	1.9	453.5	-12.3	1215.3	-1.2	2071.2	6.9	2660.1	-1.5
March	3780.7		472.2		1217.0		2091.5		2688.0	
April	3762.8		450.0		1212.3		2100.5		2669.2	
May	3807.4	6.1	463.9	6.2	1222.5	1.8	2120.9	8.7	2690.6	3.6
June	3825.8		472.6		1219.1		2134.1		2701.8	
July	3828.7		464.7		1219.7		2144.3		2696.5	
August	3842.4 *	4.8	466.7 *	3.8	1223.2 *	1.7	2152.5 *	6.8	2700.5 *	2.0
September	3858.9		468.2		1226.6		2164.2		2704.9	
October	3879.2		473.5		1229.8		2175.9		2711.9	
November	3897.9	5.8	474.9	8.1	1235.0	3.8	2188.0	6.5	2718.2	2.7
December	3917.9		478.7		1239.1		2200.1		2726.3	
January 1992	3938.4		481.9		1243.4		2213.2		2733.5	
February	3956.7	6.2	484.5	7.5	1247.0	4.2	2225.3	7.0	2739.5	3.1
March	3976.4		486.6		1251.9		2237.9		2745.7	
April	3992.5		488.3		1253.9		2250.3		2748.2	
May	4012.3	5.7	491.4	5.9	1258.8	3.7	2262.1	6.8	2754.9	2.2
June	4031.9		494.0		1263.4		2274.5		2760.2	
Chng Jun(92)/Jun(91)		5.4		4.5		3.6		6.6		2.2
Chng Jun(91)/Jun(90)		4.7		-1.9		2.6		7.6		0.3

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	147.81		21.71		7.6		96.91		29.19	
February	151.10	-1.7	22.48	1.1	8.3	-30.1	97.86	-1.1	30.76	-5.9
March	151.47		22.58		8.7		97.74		31.15	
April	150.97		22.64		7.9		97.48		30.85	
May	152.19	4.2	22.90	8.2	8.4	11.9	98.29	1.8	31.00	9.5
June	151.92		22.56		9.0		98.03		31.33	
July	151.68 *		22.57 *		8.8 *		98.08 *		31.03 *	
August	152.19	1.3	22.55	-2.2	9.0	29.7	98.36	1.7	31.28	2.3
September	152.63		22.61		9.2		98.63		31.39	
October	153.50		22.64		8.9		98.89		31.97	
November	154.08	5.3	22.76	2.3	8.9	-1.5	99.31	3.8	32.01	12.4
December	154.85		22.72		9.1		99.64		32.49	
January 1992	155.56		22.85		9.2		99.98		32.73	
February	156.15	5.4	22.93	4.8	9.3	14.1	100.27	4.2	32.95	9.4
March	156.79		23.14		9.3		100.67		32.98	
April	157.15		23.11		9.4		100.83		33.21	
May	157.90	4.4	23.22	4.2	9.5	8.9	101.22	3.7	33.46	7.0
June	158.57		23.31		9.5		101.59		33.67	
Chng Jun(92)/Jun(91)		4.4		3.3		5.6		3.6		7.5
Chng Jun(91)/Jun(90)		1.1		-1.1		-8.2		2.1		-0.5

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	0.847		0.648		0.199		0.802	
February	0.992	-41.0	0.788	-27.3	0.204	-70.1	0.876	-17.3
March	0.907		0.742		0.165		0.892	
April	0.977		0.801		0.176		0.913	
May	0.989	43.6	0.836	75.0	0.153	-39.5	0.966	57.9
June	1.040		0.868		0.172		1.002	
July	1.055 *		0.875 *		0.180 *		0.976 *	
August	1.067	27.9	0.881	23.7	0.186	50.6	0.985	11.1
September	1.075		0.886		0.189		0.997	
October	1.054		0.859		0.195		0.976	
November	1.079	4.7	0.881	-0.8	0.198	33.9	1.004	5.1
December	1.101		0.897		0.204		1.015	
January 1992	1.112		0.903		0.209		1.027	
February	1.133	19.5	0.916	16.6	0.217	32.9	1.043	17.5
March	1.136		0.921		0.215		1.048	
April	1.148		0.920		0.228		1.062	
May	1.160	10.7	0.925	5.1	0.235	37.4	1.069	12.1
June	1.160		0.929		0.231		1.077	
Chng Jun(92)/Jun(91)		11.5		7.0		34.3		7.5
Chng Jun(91)/Jun(90)		-12.4		-2.5		-42.1		-10.8

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	142.1		102.6		161.8		406.5		366.5	
February	144.9	-7.5	109.6	-15.8	155.6	-26.8	410.1	-17.9	369.3	-17.3
March	140.9		108.6		152.4		401.9		362.0	
April	146.8		107.9		151.3		406.0		364.2	
May	135.9	-11.0	108.3	5.5	155.2	-3.8	399.4	-4.0	357.5	-6.6
June	132.9		109.0		158.8		400.7		357.5	
July	131.6 *		108.1 *		161.4 *		401.1 *		357.2 *	
August	131.3	-18.9	108.2	0.6	163.6	23.0	403.1	1.3	358.3	-1.4
September	131.5		109.3		165.0		405.8		360.1	
October	131.8		109.8		164.7		406.3		359.5	
November	132.2	2.1	109.5	5.0	164.9	4.6	406.6	3.9	359.2	1.5
December	132.5		110.3		166.0		408.8		360.8	
January 1992	132.1		110.8		168.7		411.6		362.3	
February	132.6	1.1	110.4	3.4	171.3	15.1	414.3	7.3	364.1	4.8
March	132.9		111.2		173.2		417.3		365.7	
April	133.4		111.6		175.1		420.1		367.2	
May	133.9	4.3	112.4	5.5	176.6	13.0	422.9	8.2	368.7	4.9
June	134.5		112.9		177.5		424.9		369.5	
Chng Jun(92)/Jun(91)		1.2		3.6		11.7		6.0		3.3
Chng Jun(91)/Jun(90)		-15.2		0.6		-14.4		-11.1		-12.0

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	388.4		117.79		33.96		31.72	
February	388.5	-3.2	117.55	-18.8	33.76	-32.2	32.21	-18.1
March	386.0		112.12		31.94		31.41	
April	385.1		116.14		28.75		31.73	
May	381.9	-5.3	118.43	4.6	28.04	-44.2	32.13	5.8
June	380.3		116.82		29.35		32.83	
July	379.8 *		117.91 *		29.62 *		32.55 *	
August	379.8	-2.6	118.46	6.2	29.93	17.5	32.37	3.2
September	380.2		120.31		30.14		32.54	
October	380.9		119.48		30.56		32.39	
November	382.1	2.3	120.67	5.0	30.79	12.6	32.51	-0.0
December	383.4		120.93		31.04		32.56	
January 1992	384.3		120.55		31.09		32.58	
February	385.5	3.6	121.48	3.3	31.36	8.0	32.61	1.7
March	386.9		121.96		31.73		32.69	
April	387.8		122.37		32.09		32.76	
May	389.1	3.7	122.60	4.6	32.14	11.0	32.73	1.9
June	390.3		123.15		32.43		32.85	
Chng Jun(92)/Jun(91)		2.6		5.1		10.5		0.1
Chng Jun(91)/Jun(90)		-1.1		-8.1		-9.7		1.4

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	831.4		8.20		106.6		80.0	
February	828.2	0.4	8.57	-18.9	105.7	-9.6	79.1	-11.8
March	819.6		8.57		105.0		78.4	
April	820.2		8.86		105.5		78.6	
May	813.4	-5.5	8.41	8.5	106.2	1.6	79.0	-1.0
June	810.7 *		8.59		106.9		79.3	
July	810.5		8.55 *		107.3 *		79.4 *	
August	811.6	-1.3	8.53	0.0	107.7	5.5	79.6	2.9
September	814.3		8.78		107.9		79.6	
October	816.5		8.61		108.3		79.7	
November	819.4	3.5	8.58	-1.2	108.6	3.5	79.7	0.8
December	821.7		8.59		108.8		79.7	
January 1992	823.9		8.55		109.1		79.7	
February	826.2	3.6	8.64	0.2	109.0	2.0	79.5	-0.8
March	829.4		8.60		109.2		79.4	
April	832.5		8.63		109.4		79.4	
May	835.1	4.4	8.67	2.5	109.5	1.5	79.3	-1.0
June	838.9		8.65		109.6		79.3	
Chng Jun(92)/Jun(91)		3.5		0.7		2.5		0.0
Chng Jun(91)/Jun(90)		-0.2		-5.1		-2.9		-5.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	134.8		122.0		119.3		134.4	
February	135.1	3.5	121.1	-3.2	117.2	-8.6	134.8	5.2
March	135.0		120.5		115.1		135.2	
April	135.3		120.8		115.5		135.6	
May	135.7	2.0	121.5	-0.2	116.1	-4.5	136.2	3.9
June	136.0		121.1		116.0		136.5	
July	136.3 *		120.8 *		116.3 *		137.0	
August	136.6	3.0	120.9	-0.6	116.9	1.3	137.3	3.6
September	137.0		121.2		115.5		137.6	
October	137.4		121.4		117.1		138.2	
November	137.7	3.0	121.6	2.2	117.4	4.0	138.5	3.6
December	138.0		121.8		117.6		138.8	
January 1992	138.4		121.9		118.0		139.2	
February	138.7	3.0	122.1	1.8	118.1	2.6	139.7	3.3
March	139.1		122.4		118.3		140.1	
April	139.5		122.7		118.6		140.5	
May	139.9	3.4	123.0	2.7	118.8	2.3	141.0	3.9
June	140.3		123.2		119.0		141.5	
Chng Jun(92)/Jun(91)		3.2		1.8		2.6		3.6
Chng Jun(91)/Jun(90)		4.6		3.0		2.5		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1991	140.3		112.4		135.4		151.5		110.9	
February	140.6	3.5	113.1	0.8	135.3	0.8	152.2	4.7	111.0	0.1
March	140.7		113.4		134.9		152.7		111.0	
April	141.0		112.9		135.1		152.9		111.5	
May	141.5	2.4	113.4	1.0	135.5	0.6	153.7	3.6	111.7	2.8
June	141.6		113.4		135.6		153.9		112.0	
July	142.0 *		113.6 *		135.6 *		154.5 *		112.3 *	
August	142.3	2.7	113.8	1.8	135.8	1.3	154.9	3.8	112.5	2.7
September	142.7		113.9		136.1		155.4		112.7	
October	143.0		114.2		136.4		155.9		113.0	
November	143.4	3.0	114.4	2.1	136.6	2.4	156.4	3.8	113.2	2.4
December	143.7		114.5		136.9		156.8		113.3	
January 1992	144.1		114.6		137.1		157.4		113.6	
February	144.4	3.0	114.8	1.5	137.3	2.1	157.9	4.0	113.8	2.4
March	144.8		115.0		137.6		158.4		114.1	
April	145.3		115.1		138.0		159.0		114.4	
May	145.6	3.4	115.3	1.8	138.4	3.0	159.4	4.0	114.7	3.1
June	146.1		115.5		138.7		160.0		115.0	
Chng Jun(92)/Jun(91)		3.2		1.9		2.3		4.0		2.6
Chng Jun(91)/Jun(90)		4.4		1.3		4.3		4.7		1.0

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	134.8		122.0		119.3		134.4	
February	135.1	3.5	121.1	-3.2	117.2	-8.6	134.8	5.2
March	135.0		120.5		115.1		135.2	
April	135.3		120.8		115.5		135.6	
May	135.7	2.0	121.5	-0.2	116.1	-4.5	136.2	3.9
June	136.0		121.1		116.0		136.5	
July	136.3 *		120.8 *		116.3 *		137.0	
August	136.6	3.0	120.9	-0.6	116.9	1.3	137.3	3.6
September	137.0		121.2		115.5		137.6	
October	137.4		121.4		117.1		138.2	
November	137.7	3.0	121.6	2.2	117.4	4.0	138.5	3.6
December	138.0		121.8		117.6		138.8	
January 1992	138.4		121.9		118.0		139.2	
February	138.7	3.0	122.1	1.8	118.1	2.6	139.7	3.3
March	139.1		122.4		118.3		140.1	
April	139.5		122.7		118.6		140.5	
May	139.9	3.4	123.0	2.7	118.8	2.3	141.0	3.9
June	140.3		123.2		119.0		141.5	
Chng Jun(92)/Jun(91)		3.2		1.8		2.6		3.6
Chng Jun(91)/Jun(90)		4.6		3.0		2.5		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	140.3		112.4		135.4		151.5		110.9	
February	140.6	3.5	113.1	0.8	135.3	0.8	152.2	4.7	111.0	0.1
March	140.7		113.4		134.9		152.7		111.0	
April	141.0		112.9		135.1		152.9		111.5	
May	141.5	2.4	113.4	1.0	135.5	0.6	153.7	3.6	111.7	2.8
June	141.6		113.4		135.6		153.9		112.0	
July	142.0 *		113.6 *		135.6 *		154.5 *		112.3 *	
August	142.3	2.7	113.8	1.8	135.8	1.3	154.9	3.8	112.5	2.7
September	142.7		113.9		136.1		155.4		112.7	
October	143.0		114.2		136.4		155.9		113.0	
November	143.4	3.0	114.4	2.1	136.6	2.4	156.4	3.8	113.2	2.4
December	143.7		114.5		136.9		156.8		113.3	
January 1992	144.1		114.6		137.1		157.4		113.6	
February	144.4	3.0	114.8	1.5	137.3	2.1	157.9	4.0	113.8	2.4
March	144.8		115.0		137.6		158.4		114.1	
April	145.3		115.1		138.0		159.0		114.4	
May	145.6	3.4	115.3	1.8	138.4	3.0	159.4	4.0	114.7	3.1
June	146.1		115.5		138.7		160.0		115.0	
Chng Jun(92)/Jun(91)		3.2		1.9		2.3		4.0		2.6
Chng Jun(91)/Jun(90)		4.4		1.3		4.3		4.7		1.0

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	326.8		826.7		3331.0		6.91		6.28	
February	332.8	15.3	836.4	6.0	3354.3	3.6	6.25	-52.7	6.20	-40.0
March	335.2		843.0		3374.9		6.12		5.92	
April	333.5		842.2		3382.8		5.91		5.71	
May	335.4	4.2	851.7	7.6	3394.9	4.7	5.78	-30.7	5.61	-25.9
June	336.2		858.5		3398.6		5.90		5.75	
July	337.7 *		860.5 *		3391.7 *		5.92 *		5.71 *	
August	339.0	4.8	866.1	7.5	3402.5	1.4	5.61	-12.6	5.47	-10.4
September	340.3		872.5		3417.3		5.48		5.43	
October	341.6		877.6		3428.6		5.53		5.45	
November	342.5	4.2	881.9	7.2	3438.4	4.3	5.57	-8.2	5.48	-6.3
December	343.3		885.4		3452.2		5.55		5.41	
January 1992	343.9		887.6		3464.7		5.46		5.32	
February	344.5	2.3	891.6	4.4	3478.1	4.5	5.41	-7.7	5.27	-11.0
March	344.9		894.3		3491.6		5.45		5.28	
April	346.0		896.8		3505.4		5.27		5.22	
May	347.3	3.3	899.5	4.0	3517.6	4.6	5.29	-10.1	5.25	-2.7
June	348.5		903.3		3530.4		5.33		5.29	
Chng Jun(92)/Jun(91)		3.7		5.2		3.9		-9.7		-8.0
Chng Jun(91)/Jun(90)		9.2		5.8		3.3		-30.3		-24.8

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
January 1991	9.04		7.08		7.10		7.17		9.52	
February	8.83	-14.7	6.91	-11.4	6.49	-48.7	6.60	-48.4	9.05	-28.7
March	8.93		7.10		6.41		6.45		9.00	
April	8.86		7.02		6.07		6.06		9.00	
May	8.86	-1.0	6.95	0.2	5.92	-32.9	5.91	-36.6	8.50	-20.9
June	9.01		7.13		6.11		6.07		8.50	
July	8.93 *		7.04 *		6.02 *		5.98 *		8.50 *	
August	8.74	-4.8	6.84	-7.5	5.68	-17.1	5.73	-14.4	8.50	-7.5
September	8.73		6.81		5.57		5.64		8.50	
October	8.82		6.85		5.64		5.71		8.50	
November	8.76	-1.7	6.76	-7.0	5.71	-5.0	5.84	0.0	8.50	0.0
December	8.71		6.71		5.70		5.80		8.50	
January 1992	8.79		6.78		5.63		5.73		8.50	
February	8.72	0.3	6.74	0.0	5.56	-6.6	5.61	-8.3	8.50	0.0
March	8.80		6.80		5.57		5.64		8.50	
April	8.88		6.85		5.42		5.56		8.27	
May	8.91	6.7	6.93	8.7	5.44	-9.7	5.60	-4.4	8.25	-11.0
June	8.95		6.97		5.48		5.63		8.25	
Chng Jun(92)/Jun(91)		-0.7		-2.2		-10.3		-7.2		-2.9
Chng Jun(91)/Jun(90)		-2.5		-1.5		-25.3		-26.5		-15.0

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